HOAG, CLARENCE G. *A Theory of Interest.* Pp. xi, 228. Price, $1.50. New York: The Macmillan Company, 1914.

The author of this book lays great stress on his assertion that as a preliminary to the solution of the interest problem, the principal must be defined. "No one has quite solved the interest problem who has not fully explained just what it is that men discount when, as we say carelessly, they discount 'future goods' or 'future services.'—What is the principal? Two lots of goods or services, one of an earlier time and the other of a later—so much is obvious. It is obvious also that the two lots are conceived to be in some sense equal. But in what sense?" Mr. Hoag denies that they are equal in "kind and number," or in the amount of pleasure, or reduction of pain, that they afford any particular person or group of persons. "Finally, then," he asks, "are the two lots constituting the principal to be conceived as equal in value?" Yes, if we define value in a particular sense (pp. 7–10). The next step, therefore, is to define value: "The *value* of anything is the amount of somebody's pleasure that is dependent on it, expressed as an attribute of the thing" (p. 15). In the words "somebody's pleasure" lurks the author's peculiar conception of value. He distinguishes two kinds of value, *market* and *nominal.* Market value, in its subjective aspect, refers to particular persons who constitute a market at a specified time (pp. 16, 17). Nominal value refers to a "changing market," a changing group of buyers and sellers (p. 19). "Its subjective factor, instead of being that of the particular persons constituting a market at a specified time, is that of whatever persons may constitute it at two or more different times" (p. 17). This concept of nominal value solves the unanswered question as to the nature of the principal. It is in "nominal" value that the two lots of goods or services, "present goods" and "future goods," are equal. "It is to the market of the *time at hand* in each case that the two lots are equal. The market of the later time is that of the 'same society,' in a sense, just as the American nation of 1900 is the 'same nation,' in a sense, in 1913, but in another sense it is not the same" (p. 18).

This concept of nominal value is a fundamental part of Mr. Hoag's theory of interest, as well as of his definition of the principal. He calls his interest theory *the nominal value theory* (preface, p. x). "If men conceived the principal in terms of equality to the advancer instead of in terms of equality to the market of the passing time, the phenomenon we know as interest would not appear at all. Now adopt that conception of the principal, that of services constant in nominal value, that is, constant in value to the market of the kaleidoscopic society that changes with each moment of the passing time. Once that conception of the principal is held again, the surplus again emerges" (p. 76).

The title of chapter four, interest as a price, gives the key to the author's solution of the interest problem. The marginal utility theory, which makes price the equilibrium between subjective "value" and subjective "costs," is made to apply to interest, but the thing whose price is interest is not a good or a service, but the postponement of a good or a service,—a three-dimensioned thing, which is geometrically represented by a solid (p. 47). This "three-dimensional thing," Mr. Hoag terms an "advance" (p. 49). The

making of advances to nature, the "locking up of services in the storehouse of nature's causal nexus," results in a gain in nominal value. If this were not so, the locking up of services would be "economically senseless" (p. 62). Rational persons will go on making advances to nature until they reach the point of normal equilibrium between the estimated cost to them of a further advance, and the estimated "value" to them of a further advance (p. 65). Mr. Hoag departs from the ordinary terminology in this part of his book. He drops altogether the word "utility" (p. 14); the "utility curve" becomes merely the "value curve." Though Mr. Hoag is justified in his objection to the word "utility," nevertheless his usage of "value," in this general sense, combined with his usage of the same term in several specific senses, (e.g., "market value," "nominal value,") tends to confuse the reader accustomed to the old terminology, and detracts from the clearness, which, in the main, is one of the virtues of the book.

The essence of the author's interest theory, then, lies in the combination of the marginal utility theory of price, with the concept of nominal value, or value "to the changing market." The theory is demonstrated elaborately, both by algebraic and by geometric methods.

The equilibrium idea of costs and "value" might seem to lay Mr. Hoag open to the charge of being one of the reconcilers of the productivity theory with the discount or time-preference theory,—the "eclectics," as Professor Fetter calls them (*The American Economic Review*, March, 1914, p. 89). Mr. Hoag, however, leaves no doubt as to his stand. He puts himself unqualifiedly in the ranks of the "time-preference" adherents. The true connection, he says, between productivity and the premium which present services command over future services of the same nominal value is this: "productivity, so far from being the cause of the premium is itself caused by the premium. That an additional tool is still 'productive' is due to the fact that particular persons or groups of persons, who are the only agents that could have eliminated the opportunity by making an additional advance to nature, have been prevented from doing so by the fact that present services were more valuable *to them* than future services of the same nominal value." (p. 148). Mr. Hoag includes Bohm-Bawerk's "technical superiority of present goods," among the productivity and the "fructification" theories which he discards: " 'Future goods' *may be used in as long processes of production as 'present goods'*; and the fact that, if the processes are of equal length, the product will appear later in the case of the 'future goods' is nothing against the 'future goods,' *unless you assume quite all that we are trying to explain*" (p. 144).

The author's conclusion in regard to the social problem involved is that interest is as truly "earned income" as are wages (p. 219), and that it appears and persists without the least help from laws (p. 221). The abhorrent creature of government that should be attacked is rent (p. 221). The orthodox single taxers, however, confuse interest with rent. It is unjust to tax the man who has paid for his lot the capitalized value of the future services of the lot. He is receiving interest not rent (p. 222).

Mr. Hoag's book, while not giving a new theory of interest, presents the "time-preference" theory in a somewhat new light. The analysis of the

"principal" is a helpful step in clearing up the problem that is so full of pitfalls. The idea of the "changing market" is fundamentally the same as that which Professor Fetter is striving to convey, when he says that the productivity of an agent has to do with its product in a synchronous relation, while the value-productivity which enables an enterpriser to pay interest is the discount relation, and has to do with two different periods; the relations are in different planes (*The American Economic Review*, March 1914, p. 85). Mr. Hoag's presentation is more intelligible to the ordinary reader.

The masterly handling of English, the clear-cut treatment, and the method of demonstrating a proposition in two or three different ways make Mr. Hoag's book valuable to the student of interest theories. Especially well done are the hundred pages devoted to a critical analysis of interest theories, other than the author's own.

ESTHER L. LITTLE.

Philadelphia.

JOHNSON, STANLEY C. *Emigration from the United Kingdom to North America, 1763–1912.* Pp. xvi, 387. Price, $2. New York: E. P. Dutton and Company, 1914.

If this book is a fair sample of the doctor's theses presented by the candidates in economics at the University of London, the university is to be congratulated on the calibre of its students. It is a piece of work which shows not only painstaking and careful research, but breadth and clearness of vision. It adds materially to the fund of accurate information so warmly welcomed by students of immigration on both sides of the Atlantic.

The first two chapters are devoted to a historical survey of emigration from the United Kingdom to North America; two periods are distinguished, the first from 1763 to 1815 when no accurate records were kept, and the second from the beginning of official returns in 1815 down to 1912. The latter period was marked by a number of emigration or colonization schemes, and frequent government investigations and commissions. Finally the Emigrants' Information Office was opened in 1886, under government control, to supervise and assist the emigration of British subjects. This has continued to do an increasing business up to the present.

The causes of emigration are found primarily in the great increase in population which marked the early years of the nineteenth century. This underlying cause has been accentuated by a series of agricultural and industrial disturbances or depressions, which have occasioned suffering to larger or smaller groups of workers at different times. In recent years there has been also a considerable number of young people who have left, not because of real suffering but in the hope of bettering themselves. Throughout the entire history of emigration from the United Kingdom, assistance, public and private, official and unofficial, has played a large part. Until the strict selective measures of Canada and the United States put a stop to the practice, it was a favorite means of disposing of undesirable elements in the population to ship them across the sea. Many unfortunate individuals of a worthy character have also been helped.